

THIS IS WÄRTSILÄ



This is Wärtsilä

Wärtsilä is a global leader in advanced technologies and complete lifecycle solutions for the marine and energy markets. By emphasising sustainable innovation and total efficiency, Wärtsilä maximises the environmental and economic performance of the vessels and power plants of its customers. In 2015, Wärtsilä's net sales totalled EUR 5 billion with approximately 18,800 employees. The company has operations in over 200 locations in more than 70 countries around the world. Wärtsilä is listed on Nasdaq Helsinki.

MISSION

We shape the marine and energy markets with advanced technologies and focus on lifecycle performance, to enhance our customers' business and benefit the environment.

VISION

We will be our customers' most valued business partner.

VALUES

Energy, Excellence, Excitement



“Wärtsilä is well-positioned to benefit from the trends of environmental awareness and changing energy needs. We seek growth by offering innovative and energy efficient lifecycle solutions, as well as by leveraging our leading position in gas based technology.”

JAAKKO ESKOLA, PRESIDENT & CEO

NET SALES

EUR 5,029 million

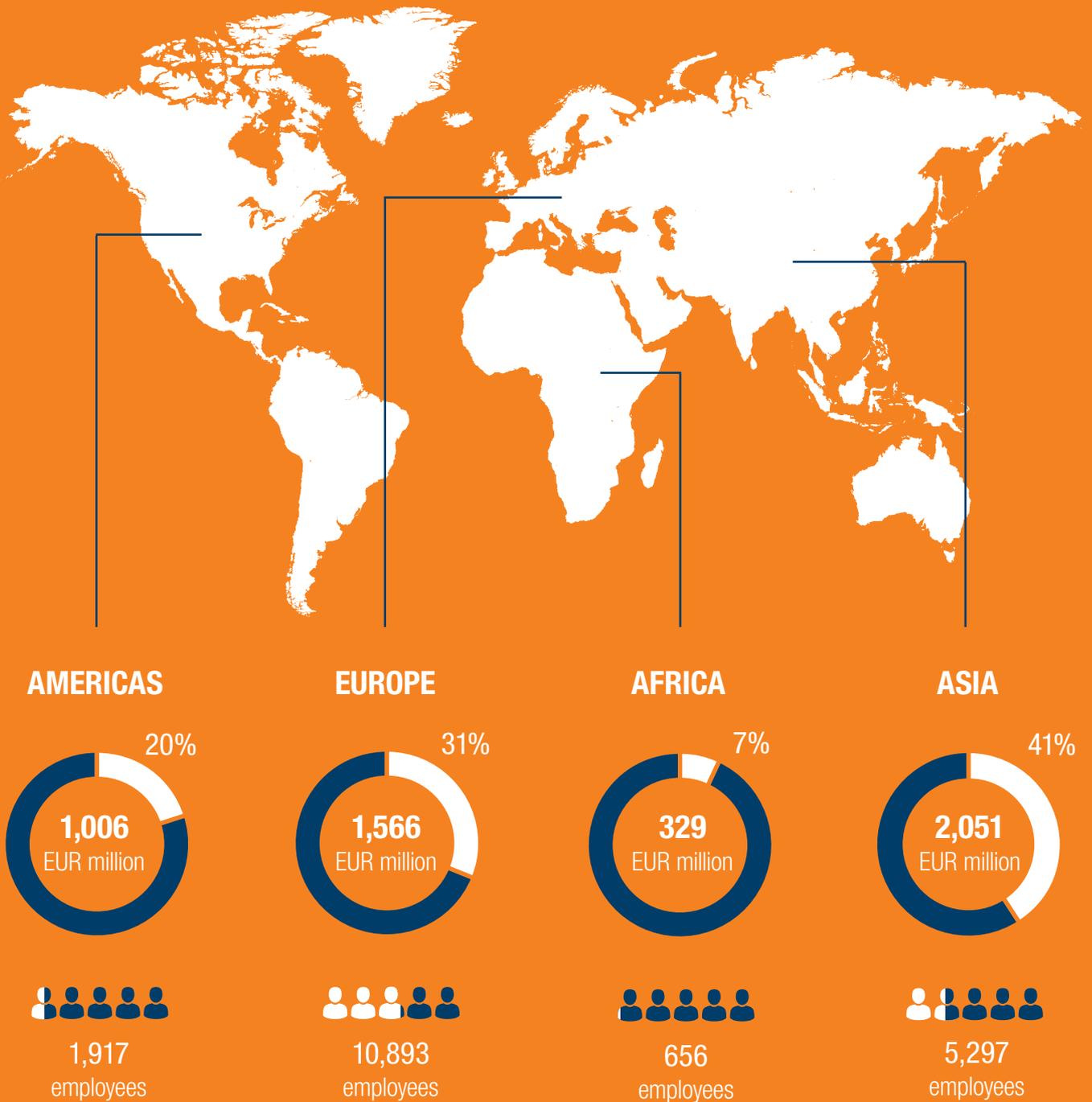
PERSONNEL

18,856 employees

INSTALLED BASE

181,000 MW

NET SALES BY MARKET AREA, % of Wärtsilä's total net sales



In other areas, net sales totalled EUR 78 million and the number of employees was 92.

Business areas

ENERGY SOLUTIONS

Wärtsilä Energy Solutions is a leading global supplier of flexible power plants of up to 600 MW, capable of operating on most gas and liquid fuels. The company's portfolio includes power plant solutions for base load, load-following, peaking, and fast reserve applications. As of 2015, Wärtsilä has installed 58 GW of power plant capacity in 175 countries around the world. The portfolio of LNG solutions consists of small and medium scale terminals and distribution systems.

NET SALES EUR 1,126 MILLION
ORDER INTAKE EUR 1,009 MILLION
NO. OF EMPLOYEES 959

22% OF WÄRTSILÄ'S
NET SALES

MARINE SOLUTIONS

Wärtsilä enhances the business of its marine and oil & gas industry customers by providing innovative products and integrated solutions that are safe, environmentally sustainable, efficient, flexible, and economically sound. Being a technology leader, and through the experience, know-how and dedication of our personnel, we are able to customise solutions that provide optimal benefits to our customers around the world.

NET SALES EUR 1,720 MILLION
ORDER INTAKE EUR 1,599 MILLION
NO. OF EMPLOYEES 6,847

34% OF WÄRTSILÄ'S
NET SALES

SERVICES

Wärtsilä Services supports its customers throughout the lifecycle of their installations by optimising efficiency and performance. The company's service network of approximately 11,000 professionals in 160 locations is unmatched in the industry, delivering services to more than 12,000 customers every year. The portfolio of services – from spare parts to complete operational, maintenance and optimisation services – is constantly being developed, not only to improve the availability of customers' installations, but to support them in growing their businesses. Wärtsilä is committed to providing high quality, expert support and the availability of services in the most environmentally sound way possible, whenever, wherever.

NET SALES EUR 2,184 MILLION
ORDER INTAKE EUR 2,324 MILLION
NO. OF EMPLOYEES 10,592

43% OF WÄRTSILÄ'S
NET SALES

MARKET DRIVERS & STRENGTHS BY BUSINESS AREA

The demand for power generation is driven primarily by population growth and economic development. As electricity consumption grows, the demand for both new power generation equipment and replacement equipment for older capacity increases correspondingly. Environmental considerations and infrastructure development drive the demand for gas based power plants. Looking ahead, growth is expected to be higher in non-OECD countries due to increasing industrialisation and improving living standards. In the OECD countries,

the ageing installed capacity will drive demand for new investments, as will stricter environmental regulations and targets to achieve low carbon power systems.

- + Unique operational and fuel flexibility
- + Energy efficiency and emissions compliance
- + Competitive capital cost and EPC capability

Demand in the shipbuilding and shipping industries is mainly driven by developments within the global economy and the resulting impact on trade and transportation capacity requirements. The price, availability, and demand for fuel drives development in the oil & gas industry, while in the general shipping industry, fuel costs increase the demand for efficient vessels. Other factors, such as shipyard capacity, newbuild prices, decommissioning and scrapping, as well as interest and freight rates, also affect these industries. Another important driver is the development of environmental regulations and their impact on the demand for optimised vessel efficiency, environmental solutions, and gas as a marine fuel.

- + The broadest portfolio of reliable and high performing products and solutions in the marine and offshore oil & gas industries
- + An unmatched track record in providing gas fuelled vessels with dual-fuel technology and gas systems
- + The most comprehensive selection of options for meeting the needs of customers concerning fuel flexibility, efficiency and environmental requirements
- + A strong position and good customer understanding in navigation and automation systems for cruise and large cargo vessels
- + A unique synergy between ship design and engineering capabilities enabling the maximisation of a vessel's efficiency throughout its lifecycle
- + A strong presence in all the major marine and offshore oil & gas segments, thereby allowing shipbuilding cycles to be navigated

The main driver in the service business is the size and development of Wärtsilä's installed equipment base. The market conditions faced by Wärtsilä's end customers have a direct impact on the utilisation rate of installations in operation, and dictate the need for services relating to maintenance, lay-down or re-deployments. The lifecycle phase of an installation, as well as structural changes in customers' operating environments, also affects maintenance requirements and possible needs for upgrades or life-extension services. The opportunity for optimised maintenance and performance is increasing customers' interest in a full lifecycle approach. The outsourcing of power plant operations and management to a reliable partner is normal practice in the energy

industry and interest for long-term service agreements is increasing also in the marine and oil & gas service markets.

- + Long-term relationships with customers and an in-depth understanding of their operations and needs
- + A complete lifecycle offering
- + The broadest service portfolio in the industry
- + An unmatched global service network

Strategy

Wärtsilä aims at profitable growth by providing advanced technologies and lifecycle solutions to its marine and energy market customers.

Increasing environmental awareness and changing energy needs are affecting the way that our customers operate. With our integrated products and services, we are well positioned today to respond to the need for energy efficient and flexible solutions. We will meet the increasing demand for gas based technologies with our industry leading multiple fuel products and LNG solutions. We will leverage our project management and engineering competences to achieve growth by offering our customers new and innovative solutions. Our growth ambitions are supported by our superior global service network.

With our production and supply chain management, we constantly seek ways to provide high quality and maintain cost efficiency – often in co-operation with leading industrial partners in our key growth markets. Our market driven investments in R&D and our focus on digitalisation create a strong foundation for securing and strengthening our position at the forefront of technological innovation. This innovative culture, together with our constant emphasis on safety, diversity, and high ethical standards, attracts skilled and committed people and leads to a high performing organisation. Our entrepreneurial drive, customer focus and passion for doing right not only create new opportunities and environmentally sustainable solutions, but also bring value to all our stakeholders.

COMMITTED TO SUSTAINABILITY

Wärtsilä's aim is to meet shareholder expectations and contribute toward the well-being of society. This requires

efficient, profitable and competitive company operations. Good economic performance establishes a platform for the other aspects of sustainability – environmental and social responsibility.

Our overriding promise is to supply power solutions that offer high efficiency with low environmental load. Our objective is to continuously improve the environmental performance of our products and services, as well as to maintain technological leadership by utilising new technologies and collaborating with our customers and other stakeholder groups. In doing this, we help our customers and society at large to meet the requirements of tightening global environmental regulations and guidelines.

We act as a good corporate citizen wherever we are active. Our business operations and relations with our stakeholders are governed by our Code of Conduct. Wärtsilä is a responsible employer, and we seek to offer our employees an interesting and exciting workplace where openness, respect, trust, equal opportunities and scope for personal development prevail. A further aim is to offer a hazard-free working environment to our employees and contractors and to minimise the health and safety risks associated with the use of our products and services. Supply chain management and development are integral elements of our operations.

ENERGY SOLUTIONS

Our mission is to provide superior value to our customers with distributed, flexible, efficient and environmentally advanced energy solutions, which enable a global transition to a more sustainable and modern energy infrastructure. We aim to become a globally recognised leader in liquid fuel and gas power plants by:

- + Growing strongly in the large utility gas power plants market by capturing market share from combustion turbines
- + Maintaining a leading position in heavy fuel oil and dual-fuel power plants by enhancing our value proposition
- + Growing in the small to medium scale LNG terminal business by introducing a new value proposition to selected markets

MARINE SOLUTIONS

Our strategic goal is to be the leading provider of innovative products and integrated solutions to the marine and oil & gas industries. To achieve this we will build on our deep understanding of our customers' needs and:

- + Solidify our leading position in solutions for gas fuelled vessels, environmental compliance and efficiency optimisation
- + Further develop our position as the shipbuilding industry's leading systems integrator
- + Provide a competitive offering of products for the growing needs of the marine and oil & gas markets
- + Seek further growth through the ability to offer our customers the most efficient lifecycle solutions

SERVICES

Our aim is to be recognised as a reliable service partner; namely competitive, trusted, and easy to deal with. We are committed to growing our service business by:

- + Doing more business with existing customers through superior customer service
- + Developing and digitalising our offering to create new competitive advantages
- + Exploring opportunities within new customer segments by leveraging on current competences
- + Acquiring businesses in growing markets

Sustainability

As a global leader in complete lifecycle solutions for the marine and energy markets, Wärtsilä plays a key role in providing environmentally sound solutions and services that enable its customers to develop their businesses in a sustainable way. Wärtsilä supports its solutions globally during their entire lifecycle, often spanning up to 30 years.

WÄRTSILÄ'S SUSTAINABILITY APPROACH

Our commitment to sustainability and responsible business is based on our mission, vision and strategy, which along with our sustainable development objectives create the framework for developing the company's activities and products. Wärtsilä's strategy is based on three key growth areas, energy efficient solutions, gas based technology, and innovative solutions, all of which contribute to a more sustainable future in both the energy and the shipping industries.

Our strength is our technological leadership and therefore technology plays a central role in our sustainability work. Wärtsilä's Energy Solutions and Marine Solutions businesses focus on developing and providing sustainable solutions for the industries in which they operate, whereas Wärtsilä Services has a key role in supporting our solutions and providing the latest technologies for existing installations through upgrades and modernisation packages. Suppliers and business partners are an important and integral part of the total value chain of the products and services of Wärtsilä.

They are expected to conduct their businesses in compliance with the same high legal and ethical standards and business practices as Wärtsilä.

THE VALUE OF SUSTAINABLE INNOVATIONS

Our most important contribution to sustainability is to supply environmentally sound solutions and services, which enable our customers to develop their business in a sustainable way. This requires us to continuously invest in technology development and in an ongoing search for new, more efficient and environmentally sound solutions.

Innovation in product development and the willingness to explore new technologies is essential in order to meet the current needs of our customers, to be prepared for future requirements, and to remain an industrial frontrunner. We strive to develop environmentally sound products and solutions across a wide front, including technologies related to efficiency improvement, the reduction of gaseous and liquid emissions, waste reduction, noise abatement, as

11.2.



Wärtsilä contracted to supply five new icebreaking LNG carriers with dual-fuel engines.

23.3.



Wärtsilä selected to Ethibel Sustainability Index Excellence Europe.

well as effluent and ballast water treatment. Our proactive approach to meeting future demand has resulted in the development of both primary and secondary abatement technologies, and has broadened the range of usable fuels. The commitment to investing in research and product development benefits Wärtsilä's customers as well as the environment, both in the short term and over a longer time span.

WÄRTSILÄ'S SUSTAINABILITY GOALS

Wärtsilä's sustainable development is based on three closely interrelated pillars: economic, environmental and social performance. In the field of sustainable development, Wärtsilä's overriding focus is on the following:

- Economic: profitability
- Environmental: environmentally sound products and services
- Social: responsible business conduct

From a sustainability impact point of view, product-related environmental issues are the most significant for Wärtsilä.

THE KEY FEATURES OF WÄRTSILÄ'S ENVIRONMENTALLY SOUND SOLUTIONS INCLUDE:

- + Reliability, safety and long lifetime
- + Solutions to reduce emissions
- + Alternatives to heavy fuel oil
- + Flexibility in fuel use
- + Solutions to maximise efficiency with the lowest lifecycle cost
- + Solutions to minimise water consumption
- + Optimisation of vessel design and operations

11.6.



IPP3 receives award for the Best Large-Scale Gas Engine Project in the EMEA projects of the Year 2015 in the Power Engineering International awards.

7.10.



Wärtsilä begins collaboration with GoodFuels Marine and Boskalis in a marine bio-fuels programme.

CHANGE IS THE ONLY CONSTANT

Digitalisation and the Internet of Things are now among the most frequently used terms on the world stage. From the communications revolution that has taken place in the span of a single generation, to the patterns of disruption that are now transforming our way of life one industry at a time, this topic is awash with the theme of change. The only constant appears to be the fact that nothing will remain the same for too long.

Ari-Pekka Saarikangas, Director of Asset Performance Optimisation at Wärtsilä, is acutely aware of how digitalisation trends will impact the company's way of working. "Wherever you look," he points out, "the world is not the same any more, and the rate of change is extremely fast. We have more and more data available about our customers' operations and equipment, as well as data on our own internal processes and performance."

Wärtsilä's customers will soon be able to take advantage of these huge volumes of information more fully. The opportunity hasn't arrived a moment too soon. As Saarikangas points out, "Disruption is taking place in many industries, and it's really happening now. We can't wait: we need to take it seriously and make full use of this momentum, and that means today."

Another related trend, points out General Manager of Business Innovation Tero Hottinen, is the need for improvements to usability. "In the past, we were high-tech experts making products for other high-tech experts, but nowadays people's skill sets are much broader. Perhaps we are more versatile in the range of topics we can address, but extreme specialisation is rare these days, and this calls for high usability in whatever you are doing. Digitalisation can really help with that."

A DIGITAL HERITAGE

Of course, Wärtsilä is no stranger to the way digital development can yield business benefits for its customers.

As far back as 2002, the company already had a web-based application online for spare parts ordering, to name just one example.

"I think we have been early birds here," Saarikangas agrees, "but now you can make it even easier for customers. There are technologies and knowledge available today that enable direct integration of the customer's ERP system with our online spare parts supply, for example."

This second wave of digitalisation, he maintains, has vastly increased potential to make things easier for users, and indeed user experience has become one of the key development criteria. Making a solution truly user friendly provides a great deal of value to the customer, so in this case the experience goes beyond just ordering the spare parts into delivery tracking and other online services, all within a few clicks. Wärtsilä's customers have been enthusiastic at the prospect of having a knowledge base for their use, whenever, wherever.

Hottinen picks up the thread: "Youngsters today are practically born with tablets in their hands and intelligent watches on their wrists," he says. "We're coming to the stage where digitalisation and all its possibilities are expected as standard. New ways of doing things, things that were previously unimaginable, are going to become part of the standard offering."

RINGING IN THE NEW

One development area which both of these digitalisation-focused colleagues are keen to highlight is that of intelligent analytics measurement, in which number crunching is taken to a new level of pervasiveness and complexity.

“Recently we have started to see the introduction of self-learning algorithms into data processing,” Saarikangas explains. “This basically means that you don’t need to manually go through the data but can instead automate a great deal of the data investigation. Taking the existing data handling and introducing elements of intelligence is a fundamental change that has been going on over the past two or three years.”

But how will this help Wärtsilä’s customers? Saarikangas proposes a scenario in which Wärtsilä – in addition to providing information on safety, reliability, or efficiency – can supply business-critical suggestions that have a clear effect on the customer’s bottom line.

“On a container ship, for example, we might help to develop a vessel’s capacity, showing the optimum order in which the customer should stow containers to reduce time in port. From optimising the voyage, we could move into providing guidance across the entire value chain, from port to port.”

This new approach is exemplified in Wärtsilä’s recently launched Genius services, which demonstrate a switch of focus from maintenance and servicing to more comprehensive optimisation of customers’ business, based on a consolidated approach toward their entire installation, utilising the benefits of real-time data and analytics.

In the future, Saarikangas points out, this area will also encompass voyage planning, ship efficiency advisory services and energy analysis, as well as extensive

condition monitoring of the main equipment, bringing them together into one consolidated solution.

THE SHAPE OF WÄRTSILÄ TO COME

While even digitalisation experts have limited powers when it comes to predicting the future, both Saarikangas and Hottinen have some insights on certain shifts that may be on the horizon.

Saarikangas sees the development of new earnings models as one potential theme of future change. “Instead of selling spare parts,” he explains, “we could be selling advisory services. Instead of on-board route course analysis, we could sell remote troubleshooting. Instead of being briefed by customers about their installations, we could sell benchmarking data on where they should be, and where the rest of the world find themselves: those other players who are using similar vessels or equipment.”

For Hottinen, who is responsible for Wärtsilä’s forward-thinking engagement with the start-up scene, the development of a more fragmented approach to innovation is of signal importance. To keep Wärtsilä engaged with this high-energy arena, he has recently been instrumental in developing Wärtsilä Marine Mastermind, a marine-focused competition targeted at start-ups and young growth companies. The initiative was launched to coincide with Wärtsilä’s presence at Slush, the premier Nordic start-up event.

Organisations still willing to find an education in the strengths of their smaller counterparts after over a century of operating history are few and far between. Neither Saarikangas nor Hottinen are losing sight of the fact that digitalisation may be the forum for some of Wärtsilä’s most important lessons yet.

› Read the full story: www.wartsila.com/ar2015

“We’re coming to the stage where digitalisation and all its possibilities are expected as standard.”





Three ways Wärtsilä shapes the energy markets

Jussi Heikkinen is Wärtsilä Energy Solutions' Vice President of Marketing & Business Development. With reference to the company's innovative approach to business development, he talks us through the three most prominent ways in which Wärtsilä has learned to shape the power plant markets.

TALKING THE CUSTOMER'S LANGUAGE

The energy markets are currently going through major changes and electricity producers' businesses are also shifting. Our products offer the highest flexibility among thermal power plants and already serve as profitable solutions for many customers all over the world. But to speak generally, many prospective customers aren't yet familiar with our technology, and in any case tend to be quite conservative when making their decisions.

We gradually overcame this challenge by changing the focus of our customer meetings to the value we can bring to their business. We started putting more emphasis on highlighting the importance of flexibility, and showing them how our solutions fit their portfolios, and how they would impact directly on their bottom line.

We can really encourage dialogue on a higher level when the customers see that we understand what they do and what is important for them, and that our offering is genuinely of great benefit to them. We're bringing them something they hadn't considered before: a new way of thinking about future power generation and often a new business model. Now we talk the customer's language. And it's working.

INTRODUCING CONCEPTS

THE MARKET IS WAITING FOR

Any company has to try to push its own products and develop how its brand is perceived. It's an important aspect of doing business – there's no doubt about it. But if you're introducing a whole new solution to a relatively new problem, you have to think bigger. Decisions may need to be made at the governmental – or even international – level to make sure that both the business benefits and the environmental benefits of your solution are understood and have the chance to become a reality. Ultimately, regulation and market mechanisms may need to be adjusted to introduce the new solutions, adequately reward them, and enable investments. By doing this well one can convert a product push to a market pull.

This is one reason Wärtsilä developed the concept of Smart Power Generation. It stands as a symbol for flexible power generation technologies. Both the timing and the implementation of this concept have been critical in its success. Again, this is about storytelling. You may have all the ingredients for success in place, but unless the message is put across in the right way to the right people at the right time, forget it.

Today, Smart Power Generation, as a potent symbol of flexible power generation in practice, is among the four main solutions on the table in discussions of the future of European power generation. This is obviously a great achievement and a superb opportunity for Wärtsilä, but it didn't come easily. By conceptualising what we do in this

way, and demonstrating the value of Smart Power Generation as part of the power system, we've made the benefits apparent in a way that politicians can understand, as well as businessmen and engineers. We made something that even slow-moving, conservative markets could eventually accept.

“Our products offer the highest flexibility among thermal power plants and already serve as profitable solutions for many customers all over the world.”

ALWAYS LOOKING TO THE FUTURE

You may have noticed by now that we take the long-term view. It's the only way in an industry with long investment cycles, a strong emphasis on proven technologies, and a strong political component to contend with. But just as we're gradually becoming able to take advantage of our investment in Smart Power Generation in preceding years, we also need to think ahead to see where the next opportunities lie.

One area of great potential interest to customers in certain regions is conversion to using natural gas with our small- to medium-scale LNG terminals. This has a geopolitical dimension as well as a practical one. If you look at the Caribbean, and at Central America, for example, many countries rely on burning heavy fuel oil because that is the cheapest fuel available to use in their relatively small power systems. Large coal-power plants, huge gas turbines, and nuclear are all out of the question because of their scale.

The oil price is, of course, outside of these customers' control, and fuel price variations may in extreme cases drive them out of profit. It's a tricky situation. Our LNG terminals, which bring together the expertise of the Wärtsilä Energy Solutions and Marine Solutions business areas, offer a long-term solution. Terminals allow these customers to make use of a cleaner fuel, getting LNG to where it's most useful to them – and our multi-fuel engines can even run both on natural gas and heavy fuel, if need be. Thanks to synergies across Wärtsilä's business areas, we are able to offer the complete package – the LNG infrastructure and the multi-fuel power plant – in a single turnkey project.

I'm sure you're starting to see a pattern emerging here. With the right ingredients – keeping a close eye on our customers' business and their challenges, conceptualising what we do, concentrating on the value for the customer to get the message across, and staying focused on the long-term – we're able to play an active role in shaping the markets. Make no mistake. Behind movements like Smart Power Generation, you'll find a smart organisation.

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Electrical & Automation

in a nutshell

Following Wärtsilä's acquisition of L-3 Marine Systems International (MSI) in 2015, we asked Stephan Kuhn, Vice President of Marine Solutions' Electrical & Automation business line, to answer three fundamental questions on the topic to help stakeholders understand the potential of Wärtsilä's expanded marine offering.

1. WHAT IS IT?

The newly formed Electrical & Automation business line is basically the digital heart of Wärtsilä Marine Solutions. This isn't the first time I've used a metaphor like this to describe the business over the past year: some stakeholders may remember me referring to a vessel's electrical connections as its veins, while its automation technology could be compared to the brain.

Our traditional business has been engines, devices that convert fuel into mechanical energy and require some measure of digital control to maximise their performance. That element of control is one important role for automation, but the topic is much wider than this.

If you take a look at a modern cruise ship, the place you'll see our offering at work is the bridge. Here, hardware is fed information from sensors all over the vessel, including radar, GPS, weather, or motion-related. Now, on large computer systems, certain software is processing all this information and calculating its effect on the operation of the vessel.

Then there are other sensors at work, which provide data on engine conditions, compressor conditions, and cargo handling; all of which are reported to a central automation system. This is also our domain; in fact,

Wärtsilä Nacos Platinum is the only truly integrated automation navigation and bridge system.

And as well as the hardware-related engineering competences, we bring expert software engineers into the equation, establishing, for example, how navigation corridors are defined in a cruise ship's systems.

Very demanding geographically distinct challenges, such as the negotiation of difficult shipping lines like the English Channel, can be addressed using our technologies, providing solutions our customers often hadn't previously thought possible.

2. HOW DOES IT FIT IN?

The acquisition of MSI brought 1,700 new employees into Wärtsilä, and I can quite confidently state that in general they are happy about the acquisition. The principle reason behind this, I believe, is the fact that Wärtsilä has solid roots and a strong future outlook within the shipping industry.

With this acquired business coming from a company focused on the defence industry, here at Wärtsilä there is more of a common language. This is altogether a more natural home for the competences MSI has brought to the organisation.

Now, all of this is not to say that integration is an

easy process: things can still go awry if you don't handle things properly. The key issue in integration is to prevent organisational matters from damaging the essence of the newly acquired company's skills and capabilities.

Providing value to the customer is what we're all here to do. Any distraction from that aim is a point counted against us, so we have to take care to be sensitive when it matters, and guide people into place in a way that doesn't put focus on the wrong issues.

What can we do to mitigate these risks? Well, first of all you need a clear guideline in terms of what you want to achieve in the integration, and then you must communicate consistently about what you are doing. In acquisitions, you cannot overcommunicate.

You need to have a team set up right from the beginning, with clear roles, particularly when it comes to troubleshooting. Then, when issues pop up, you need to react quickly and tackle them head on.

Normally – and I use that word hesitantly as really there is no 'normal' in an acquisition situation – if you make sure these elements are in place, things work reasonably well. And I'm happy to add that this has been the case in the foundation of Wärtsilä's Electrical & Automation business line.

3. WHAT DOES IT MEAN FOR WÄRTSILÄ?

We've addressed what you might call the human side of this acquisition, but from the business point of view there are synergies in terms of customer base and sales leads that neither set of experts could have seen coming.

The business logic is very straightforward here. Wärtsilä Marine Solutions' growth strategy is to become the leading provider of products and solutions to the marine and oil & gas industries. An industry-leading portfolio needs to be comprehensive, and the substantial body of electrical and automation assets which now comprise a major part of Marine Solutions' business are on board for one very good reason: to help capture new market opportunities. We want to be a one-stop shop for our customers.

And when it comes to the customer, we're seeing encouraging signs. I heard from one chief executive recently that he has strong motivation to buy as much as possible from a single, multi-capable supplier such as Wärtsilä for one very simple reason: responsibility. As the sole major partner in a given project, we take on the full role of ensuring that the job is done right, done well, and done on schedule. That's an appealing prospect for our customers.

As I mentioned earlier, Wärtsilä is now in a position to offer a fully integrated marine package, including navigation and automation. We're now the one-stop shop, taking full responsibility for the complete solution. That's what it means to have a comprehensive offering, and that's why I see this acquisition as strategically sound and good for our customers and other stakeholders.

“Wärtsilä Marine Solutions' growth strategy is to become the leading provider of products and solutions to the marine and oil & gas industries.”

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SAFETY ON THE MOVE

In 2014, Wärtsilä introduced the WeCare initiative, a comprehensive programme for accident, near miss and hazard reporting and analysis. In December 2015 we introduced a new tool for immediate reporting on safety issues — a WeCare application for mobile phones and tablets. The great advantage of the new mobile app is its availability and accessible interface. Now the reporting of hazards can be started immediately and in real time.

WÄRTSILÄ 31 – BREAKING THE MOULD

In June 2015, Wärtsilä launched the new Wärtsilä 31 engine, a product which brought fuel efficiency, fuel flexibility, and operational optimisation to new levels, far beyond anything else currently available. Intended to serve a variety of vessel types requiring main engine propulsion in the 4.2 to 9.8 MW power range, the Wärtsilä 31 meets a variety of needs. While launched initially with Wärtsilä's marine customers in mind, in the future its benefits will also be brought to bear on the power markets.





CMI AND BUSINESS OF CONFLICT RESOLUTION

Crisis Management Initiative (CMI), founded by Nobel Peace Laureate President Martti Ahtisaari, is an independent Finnish peace broker that has brought conflict parties around the same table for the last 15 years. CMI works to build a more peaceful world by preventing and resolving violent conflicts, and supporting sustainable peace across the globe. As its lead partner, Wärtsilä supports CMI's activities and creates partnership programmes with the organisation in selected areas.

SAVE YOUR FINGERS

We observed that 45% of all injuries at Wärtsilä in 2014 were related to hands or fingers. In a bid to further improve our safety record, a global attitude change was required. In 2015, a campaign was initiated to focus attention on this, entitled Save Your Fingers. The goal was simple: to raise awareness and permanently change the safety mind-set of employees towards precautionary measures, ensuring everyone realises that their most valuable tools are their hands and fingers.



Financials 2015

Wärtsilä's performance in 2015 was in line with the targets set for the year. Supported by a solid fourth quarter and continued growth in service volumes, net sales increased by 5% and profitability reached 12.2%.

The operating environment was challenging in both the energy and marine markets. Macro-economic development uncertainty limited investments in new power plant capacity, while the demand for new vessels was burdened by overcapacity and depressed oil prices. Order intake for both Marine and Energy Solutions declined from the previous year, although activity improved sequentially during the second half of the year. Service markets developed favourably, supported by increased demand for maintenance work and propulsion system upgrades in the marine markets as well as the increased utilisation of power plant installations. Services' development was clearly the highlight of the year. A focused sales approach and an enhanced value proposition, together with the increasing willingness

of customers to invest in performance optimising services, resulted in double digit growth in both orders and sales.

During the year, Wärtsilä continued to develop its business by expanding its product and solutions offering, as well as by pursuing growth opportunities through acquisitions. R&D investments represented 2.6% of net sales.

NET SALES

increased by 5% to EUR 5,029 million

OPERATING RESULT

before non-recurring items amounted to EUR 612 million, which represents 12.2% of net sales

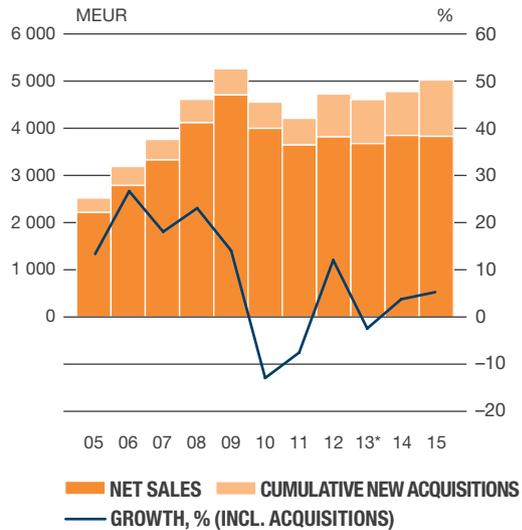
KEY FIGURES

							Restated*
MEUR	2015	10-12/2015	7-9/2015	4-6/2015	1-3/2015	2014	2013
Net sales	5 029	1 590	1 222	1 230	988	4 779	4 607
Energy Solutions	1 126	374	243	327	182	1 138	1 459
Marine Solutions	1 720	598	448	354	321	1 702	1 309
Services	2 184	619	531	548	485	1 939	1 842
Depreciation, amortisations and impairment	-124	-33	-32	-30	-29	-115	-120
Operating result ¹	612	215	160	137	100	569	557
Operating result ¹ , %	12.2	13.5	13.1	11.1	10.1	11.9	12.1
Profit before taxes	553	199	132	140	82	494	544
Earnings per share, EUR	2.25	0.79	0.49	0.54	0.43	1.76	1.98
Order intake	4 932	1 403	1 086	1 159	1 285	5 084	4 821
MEUR	2015	31.12.2015	30.9.2015	30.6.2015	31.3.2015	2014	2013
Balance sheet total	5 589	5 589	5 609	5 622	5 271	5 280	5 209
Interest-bearing liabilities, gross	724	724	778	779	648	666	665
Cash and cash equivalents	334	334	250	269	382	571	388
ROI, continuing operations, %	21.0	21.0	20.3	20.8	22.0	20.3	22.6
Gearing	0.17	0.17	0.26	0.25	0.14	0.05	0.15
Order book, end of period	4 882	4 882	5 112	5 325	4 931	4 530	4 311
Year-end market capitalisation	8 314	-	-	-	-	7 315	7 055
Personnel, number at end of period	18 856	18 856	19 237	19 427	17 707	17 717	18 315

¹ Figures exclude non-recurring items.

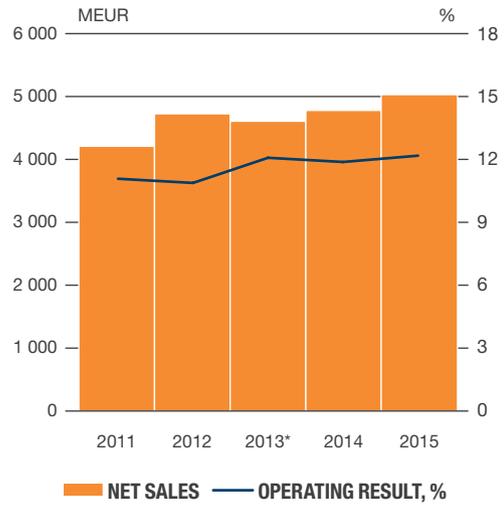
* Figures related to the statement of income have been restated due to the two-stroke business being classified as discontinued operations.

GROWTH OVER THE CYCLE



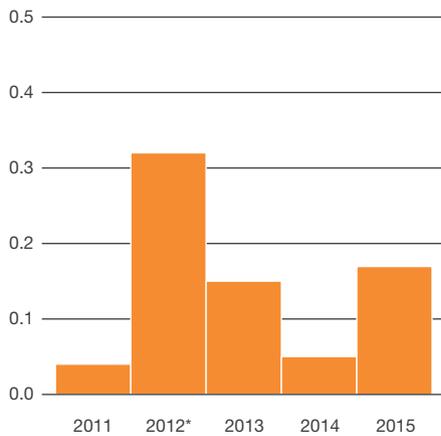
* Restated, figures include continuing operations.

PROFITABILITY



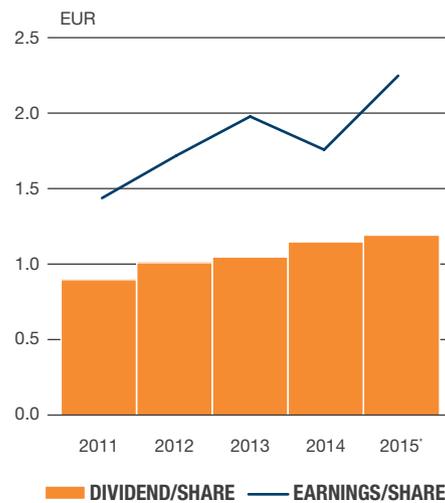
* Restated, figures include continuing operations.

GEARING



* Restated due to the revised IAS 19.

EARNINGS/SHARE, DIVIDEND/SHARE



* Proposal by the Board 2015.

Consolidated statement of income

MEUR	2015	2014
Continuing operations		
Net sales	5 029	4 779
Change in inventories of finished goods & work in progress	-77	-240
Work performed by the Group and capitalised	6	14
Other operating income	51	52
Material and services	-2 603	-2 392
Employee benefit expenses	-1 159	-1 113
Depreciation, amortisation and impairment	-124	-115
Other operating expenses	-553	-489
Share of result of associates and joint ventures	17	26
Operating result	587	522
as a percentage of net sales	11.7	10.9
Dividend income		1
Interest income	2	4
Other financial income	10	8
Interest expenses	-13	-13
Other financial expenses	-32	-27
Profit before taxes	553	494
Income taxes	-124	-106
Profit for the financial period from the continuing operations	429	389
Loss for the financial period from the discontinued operations	22	-37
Net profit for the financial period	451	351
Attributable to:		
equity holders of the parent company	444	347
non-controlling interests	7	5
	451	351
Earnings per share attributable to equity holders of the parent company (basic and diluted):		
Earnings per share, continuing operations, EUR	2.14	1.95
Earnings per share, discontinued operations, EUR	0.11	-0.19
Earnings per share (EPS), basic and diluted, EUR	2.25	1.76

Consolidated statement of comprehensive income

MEUR	2015	2014
Net profit for the financial period	451	351
Other comprehensive income, net of taxes:		
Items that will not be reclassified to the statement of income		
Remeasurements of defined benefit liabilities	7	-29
Tax on items that will not be reclassified to the statement of income	-2	4
Total items that will not be reclassified to the statement of income	5	-25
Items that may be reclassified subsequently to the statement of income		
Exchange rate differences on translating foreign operations	23	56
Exchange rate differences on translating foreign operations for non-controlling interests	2	4
Cash flow hedges		
measured at fair value	-23	-85
transferred to the statement of income	21	12
Tax on items that may be reclassified to the statement of income		
Cash flow hedges		
measured at fair value	4	24
transferred to the statement of income	-5	-4
Total items that may be reclassified to the statement of income	21	5
Other comprehensive income for the financial period, net of taxes	26	-20
Total comprehensive income for the financial period	477	332
Total comprehensive income attributable to:		
equity holders of the parent company	468	323
non-controlling interests	9	9
	477	332

Consolidated statement of financial position

Assets

MEUR	31.12.2015	31.12.2014
Non-current assets		
Goodwill	1 103	909
Intangible assets	361	271
Property, plant and equipment	418	421
Investment properties	13	14
Investments in associates and joint ventures	89	90
Available-for-sale financial assets	15	16
Interest-bearing investments	17	1
Deferred tax assets	157	144
Trade receivables	14	15
Other receivables	28	4
Total non-current assets	2 215	1 884
Current assets		
Inventories	1 200	1 156
Interest-bearing receivables		1
Trade receivables	1 394	1 186
Current tax receivables	51	42
Other receivables	396	338
Cash and cash equivalents	334	571
Total current assets	3 374	3 294
Assets held for sale		102
Total assets	5 589	5 280

Equity and liabilities

MEUR	31.12.2015	31.12.2014
Equity		
Share capital	336	336
Share premium	61	61
Translation differences	-6	-30
Fair value reserve	-70	-66
Remeasurements of defined benefit liabilities	-36	-65
Retained earnings	1 916	1 723
Total equity attributable to equity holders of the parent company	2 201	1 960
Non-controlling interests	41	45
Total equity	2 242	2 005
Liabilities		
Non-current liabilities		
Interest-bearing debt	492	537
Deferred tax liabilities	102	64
Pension obligations	161	100
Provisions	46	51
Advances received	77	77
Other liabilities	2	2
Total non-current liabilities	880	832
Current liabilities		
Interest-bearing debt	232	129
Provisions	223	242
Advances received	487	596
Trade payables	510	436
Current tax liabilities	82	51
Other liabilities	933	934
Total current liabilities	2 467	2 388
Total liabilities	3 347	3 220
Liabilities directly attributable to assets held for sale		55
Total equity and liabilities	5 589	5 280

Consolidated statement of cash flows

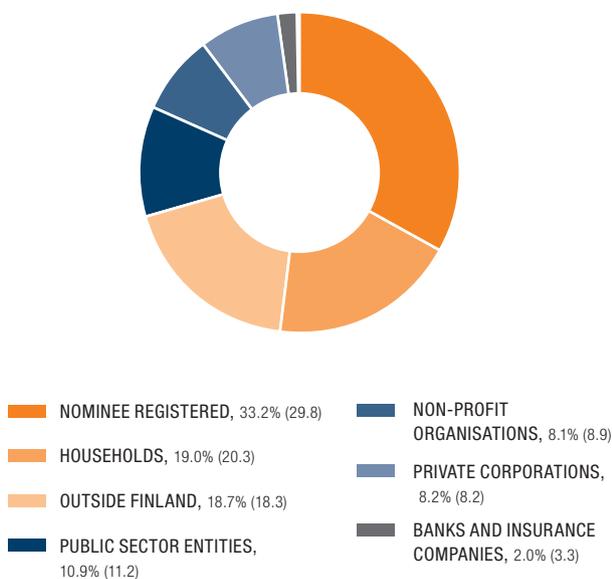
MEUR	2015	2014
Cash flow from operating activities:		
Net profit for the financial period	451	351
Adjustments for:		
Depreciation, amortisation and impairment	124	119
Financial income and expenses	34	28
Gains and losses on sale of intangible assets and property, plant and equipment and other changes	-27	2
Share of result of associates and joint ventures	-17	-24
Income taxes	124	99
Cash flow before changes in working capital	688	574
Changes in working capital:		
Receivables, non-interest-bearing, increase (-) / decrease (+)	-193	-52
Inventories, increase (-) / decrease (+)	79	206
Liabilities, non-interest-bearing, increase (+) / decrease (-)	-229	-122
Changes in working capital	-343	32
Cash flow from operating activities before financial items and taxes	346	606
Financial items and taxes:		
Interest and other financial income	45	29
Interest and other financial expenses	-29	-36
Income taxes paid	-108	-147
Financial items and paid taxes	-91	-154
Cash flow from operating activities	255	452
Cash flow from investing activities:		
Acquisitions	-258	
Investments in associates and joint ventures	-9	
Investments in available-for-sale financial assets		-1
Investments in property, plant and equipment and intangible assets	-79	-99
Proceeds from sale of property, plant and equipment and intangible assets	13	14
Proceeds from sale of available-for-sale financial assets	1	16
Loan receivables, increase (-) / decrease (+), and other changes		-1
Disposal of discontinued operations, net of cash	44	
Dividends received		1
Cash flow from investing activities	-288	-71
Cash flow after investing activities	-33	381
Cash flow from financing activities:		
Proceeds from non-current debt	50	100
Repayments and other changes in non-current debt	-112	-81
Loan receivables, increase (-) / decrease (+)	-16	
Current loans, increase (+) / decrease (-)	110	-18
Dividends paid	-242	-211
Cash flow from financing activities	-210	-210
Change in cash and cash equivalents, increase (+) / decrease (-)	-243	172
Cash and cash equivalents at the beginning of the financial period	571	388
Exchange rate changes	5	12
Net change in cash effect from discontinued operations		1
Cash and cash equivalents at the end of the financial period	334	571

Wärtsilä as an investment

Our strengths are our technological leadership, an integrated product and service offering, our close and long-standing customer relationships, and our unparalleled global presence.

- Megatrends such as global transportation needs and growing energy demand drive our business. Increasing environmental awareness and changing energy needs are affecting the way that our customers operate. Renewable energy is growing and the demand for natural gas is increasing. We are well positioned to respond to the need for energy efficient and flexible solutions.
- Our Services business, representing over 40% of Wärtsilä's net sales, offsets the cyclical nature of our end-markets, while supporting our growth ambitions and our target to improve long-term profitability.
- An assembly-based manufacturing model creates flexibility in adjusting capacity to market demand, while synergies are gained through shared production facilities and research & development.
- Our financial position enables us to invest in developing our technological leadership and supports our goal of profitable growth. It also enables us to offer solid dividends to our shareholders.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2015



WÄRTSILÄ ON THE CAPITAL MARKETS 2015

- Wärtsilä's shares are listed on the Nasdaq Helsinki Large Cap list under the trading code WRT1V.
- At the end of 2015, Wärtsilä's total number of shares was 197,241,130 and the number of shareholders was approximately 39,200. Foreign shareholding, including nominee-registered shares, represented 52% at the end of the year.
- At year-end, Wärtsilä's market capitalisation was EUR 8,314 million.

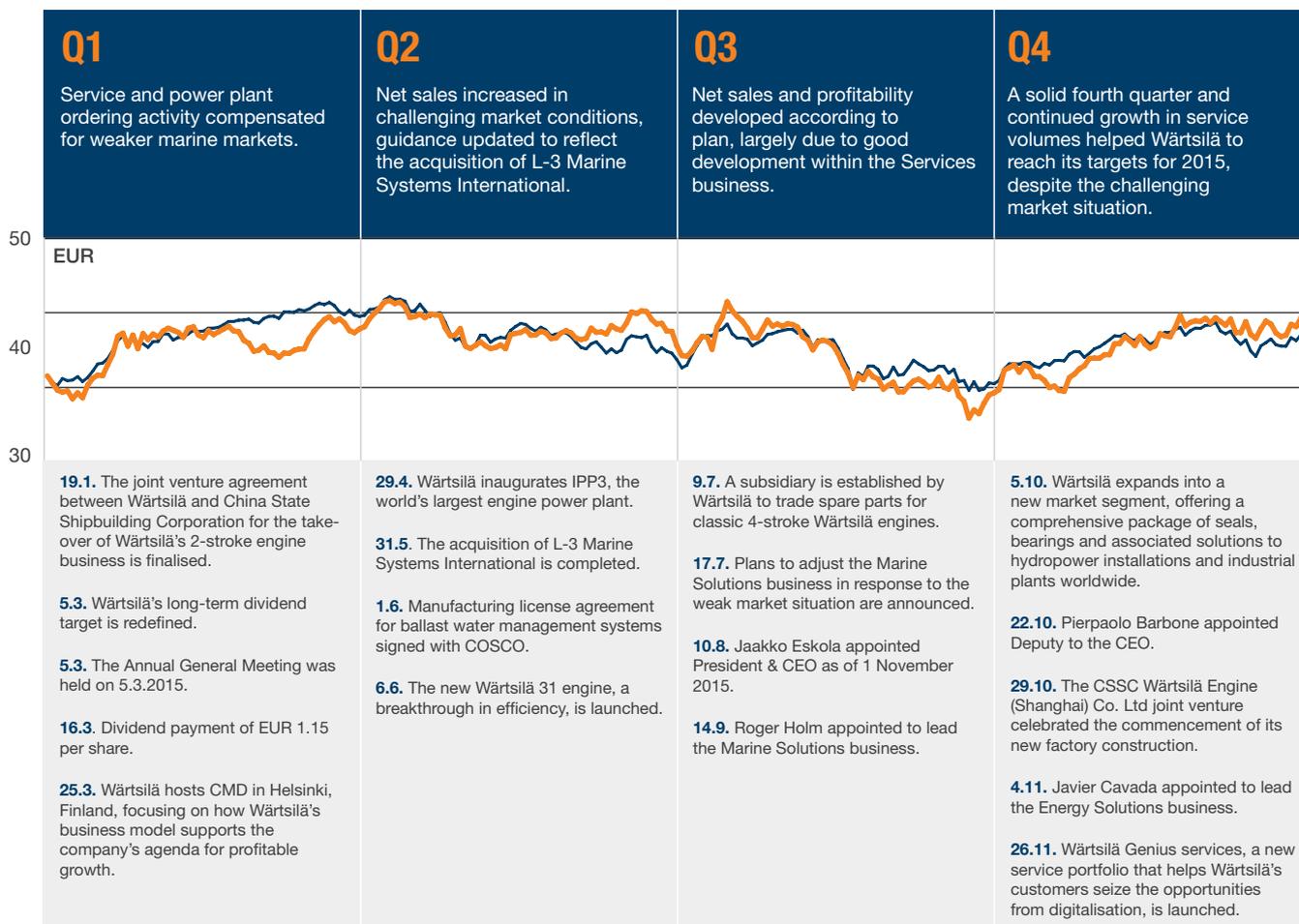
Find more information at:
www.wartsila.com/investors

LONG-TERM TARGETS

Wärtsilä's aim is to improve its financial performance and create added value for its stakeholders and society. Wärtsilä's financial goal is to offer investors a competitive return on their investment through profitable growth.

- Grow faster than global GDP
In 2015, Wärtsilä's net sales increased by 5% to EUR 5,029 million.
- Reach an operating profit margin (EBIT%) of 14% at the peak of the cycle and maintain an operating profit margin above 10% at the trough of the cycle
In 2015, our operating profit was EUR 612 million, 12.2% of net sales.
- Maintain gearing below 0.50
In 2015, our gearing was 0.17.
- Pay a dividend of at least 50% of earnings over the cycle
The Board of Directors proposes that a dividend of 1.20 euro per share be paid for the financial year 2015, which represents 53% of operational earnings.

WÄRTSILÄ'S SHARE PRICE DEVELOPMENT



— WRT1V — OMX HELSINKI

Highlights 2015

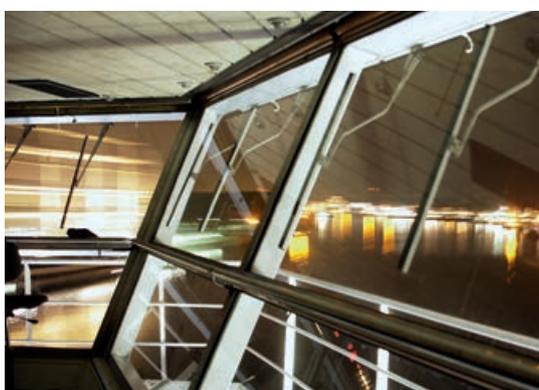


WÄRTSILÄ'S FOCUS ON DIGITALISATION

Digitalisation is a key strategic theme for Wartsilä. During 2015, our digital presence was expanded by the launch of Wartsilä Genius services, a new digital service portfolio, and the acquisition of L-3 Marine Systems International.

WÄRTSILÄ WINS SEVERAL POWER PLANT ORDERS FROM THE USA

The flexibility and efficiency of Wartsilä's Smart Power Generation power plants is gaining interest in the USA and several orders were received for peaking and renewable support power plants during 2015. Wartsilä's installed power generation base in the United States is approximately 2,800 MW.



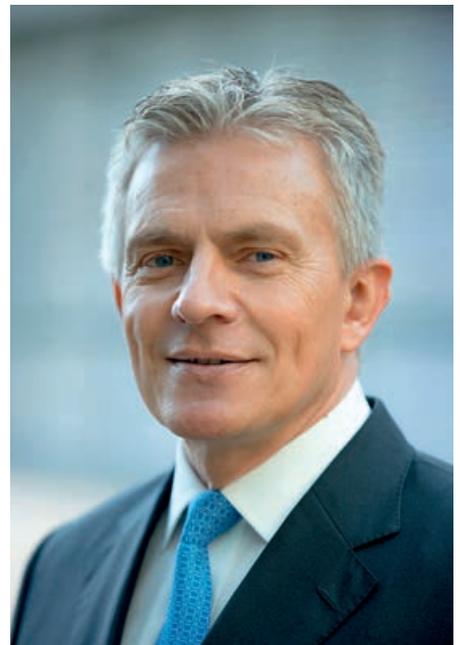
ACQUISITION OF L-3 MARINE SYSTEMS INTERNATIONAL

During 2015, Marine Solutions' electrical and automation offering was strengthened through the acquisition of L-3 Marine Systems International (MSI). MSI has extensive experience in supplying automation, navigation and electrical systems, dynamic positioning technology, as well as sonar and underwater communications technology for a variety of vessel types and offshore installations.

**PROVIDING SMART CHOICES. MAKING SMART CHOICES.
BEING THE SMART CHOICE. WWW.WARTSILA.COM/AR2015**

WÄRTSILÄ LAUNCHES THE NEW WÄRTSILÄ 31 ENGINE: A BREAKTHROUGH IN EFFICIENCY

A brand new medium-speed engine featuring the most advanced technology was launched by Wärtsilä in conjunction with the Nor-Shipping 2015 exhibition in Oslo, Norway. The Wärtsilä 31 engine has significantly reduced maintenance requirements, while raising fuel efficiency, fuel flexibility, and operational optimisation to totally new levels that are far beyond anything else currently available. Its fuel consumption efficiency in its diesel version is as low as 165g/kWh.



CHANGES IN MANAGEMENT

Wärtsilä's Board of Directors appointed **Mr Jaakko Eskola**, as the new President and CEO of Wärtsilä Corporation as of 1 November 2015. Mr Roger Holm succeeded him as President of Marine Solutions and Mr Javier Cavada was appointed President of Energy Solutions.



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